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Rewald case

Some of firm's financial records withheld by CIA, lawyers report

By James Dooley

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A federal magistrate yesterday recommended that financial records from the bankrupt firm of jailed Honolulu businessman Ronald R. Rewald be turned over to the Internal Revenue Service.

And Rewald's attorneys yesterday said they were told that some of the firm's financial records had been withheld by the Central Intelligence Agency following a review of corporate files for national security purposes.

Representatives of the CIA began reviewing corporate documents from the files of Bishop, Baldwin, Rewald, Dillingham and Wong, Inc., last week at the request of Rewald's criminal defense attorney Brook Hart.

Rewald had told employees of his firm in the past that the company was involved in an unspecified way with the CIA.

John Kindschi, former CIA station chief in Honolulu, worked as a consultant for Rewald's firm and allegedly invested more than \$200,000 with the company.

Rewald was charged by police last week with two counts of theft — one of them related to the Kindschi investment with Rewald's firm.

Kindschi reportedly did not file a formal complaint with the police and Rewald attorney Hart said he believed Kindschi at one point wanted the police to withdraw the complaint.

Kindschi attorney Richard Griffith said his client had no comment on the matter.

It is known, however, that Kindschi testified before the grand jury that later indicted Rewald on the same theft charges, as well as a federal grand jury investigating Rewald and his firm.

Rewald has been in custody since his arrest last week on the state charges. He has been

unable to post \$10 million bail.

An initial review of Rewald corporate records last week resulted in the withholding of unspecified material by the intelligence agency, according to Peter Wolff, an associate of Hart.

"I believe there was some material held out by the CIA people," Wolff said yesterday.

A second review of corporate documents was made by the CIA Thursday, and one more document was reportedly withheld.

Hart and Wolff say they don't know what has been taken.

"It's my understanding that there is supposed to be at least a generic identification of the documents withheld. Of course, in some cases, I suppose even a generic description might tend to compromise security, so that may not be possible," Wolff said.

As I understand the procedure, the material withheld is to be preserved and reviewed by the (federal) court pending a determination that it is classified," Wolff said.

If the material is not classified, it is to be turned over to Thomas Hayes, the interim bankruptcy trustee who took control of Rewald's company on Aug. 4. The corporate records are also to be made available to Hart's firm and to the Securities and Exchange Commission, which has lodged a civil fraud complaint against Rewald and his firm in federal court here.

Most, if not all, of the various law enforcement agencies now investigating Rewald and his firm did not begin to actively do so until after Rewald attempted suicide July 29 and the company was forced into bankruptcy proceedings Aug. 4.

But documents on file in federal court show that the IRS has been investigating Rewald's tax liabilities since at least February.

A summons for financial records made out in February

was served March 7 on Rewald's firm by IRS special agent Joseph Camplone, the documents show.

It required the firm to surrender bank records, payroll ledgers, corporate tax returns, stock certificates, accountants' work papers, financial statements and names, addresses and records of financial transactions with clients or customers.

Court files show that only a portion of the material was turned over to the IRS, and an enforcement action requiring surrender of the remainder was filed in federal court July 27 — two days before Rewald attempted suicide. A copy of the enforcement action was served on company attorney Tim Holzer the morning of Aug. 7. Holzer resigned from the company later that day and now works for bankruptcy trustee Hayes.

Hayes, who has control of the company records now under the authority of federal court, was not represented in court yesterday.

Deputy U.S. attorney Carol Muranaka told Federal Magistrate Thomas Young it was her understanding that Hayes did not oppose enforcement of the summons.

The IRS documents on file state that Camplone, attached to the Criminal Investigation Division of the IRS, has been investigating Rewald's personal tax liabilities for the years 1977 to 1981.

The documents also show that some material, including company bank statements, canceled checks and deposit slips for several corporate checking accounts in town for the years 1980 and 1981, were turned over to the IRS in April.

Hayes has said in court previously that he has been unable to reconstruct a corporate financial history before 1982 because he did not have banking records.